

VZCZCXRO6052
RR RUEHBZ RUEH DU RUEHGI RUEHJO RUEHMR RUEHRN
DE RUEH KI #0404/01 0951323
ZNR UUUUU ZZH
R 051323Z APR 07
FM AMEMBASSY KINSHASA
TO RUEHC/SECSTATE WASHDC 5921
INFO RUEHXR/RWANDA COLLECTIVE
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK
RHMFISS/HQ USEUCOM VAIHINGEN GE
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 03 KINSHASA 000404

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E.O. 12958: N/A

TAGS: [EMIN](#) [ECIN](#) [ENRG](#) [ELAB](#) [CG](#)

SUBJECT: DRC MARCH ECONOMIC REVIEW

REF: A. KINSHASA 387

[1](#)B. KINSHASA 313

[1](#)C. KINSHASA 177

[1](#)1. (U) Summary.

- The Governor of Katanga banned the export of non-refined metal ore from the province, although Canadian company First Quantum says it has resumed exporting its unprocessed ore.
- The Orientale governor has suspended timber exports from the province.
- Gecamines, the DRC's copper/cobalt mining parastatal, will try to increase copper and cobalt production over 2006 totals and will invest in the rehabilitation of processing facilities.
- The World Bank and French government have announced they will provide several million USD in development support for the DRC.
- Rwanda and the DRC are jointly trying to relaunch methane gas extraction efforts in Lake Kivu, which the two countries border.
- Employees of the DRC's diamond mining parastatal, MIBA, claim they are due the equivalent of more than six months of salary.
- March consumer prices increased, but the Congolese franc's official exchange rate stabilized against the USD. End summary.

EXTRACTIVE INDUSTRIES

[1](#)2. (U) Katanga Governor Moise Katumbi has declared a permanent ban on the export of non-refined metal ore from the province and is enforcing this ban at several customs posts on the border with Zambia. Exporters of laboratory-certified concentrate have a six-month grace period during which they may continue to export the ore. Further, Canadian First Quantum says it resumed its export of unprocessed ore on April 3 after posting a security bond with the DRC's customs agency, OFIDA. Katumbi says customs revenues have increased by 30 percent as a result of the augmented customs enforcement (reftel A).

[1](#)3. (U) Gecamines' (the DRC's copper/cobalt mining parastatal) 2007 production targets are 30,000 MT of copper and 1500 MT of cobalt, against 2006 production of 24,000 MT of copper and 749 MT of cobalt. Gecamines officials also say the company will invest USD 60 million in 2007 to rehabilitate copper

concentrate processing facilities and expand production and exploration.

¶4. (U) Katanga Mining Company (a Toronto-stock exchange mining company associated with Belgian George Forrest) announced that it arranged USD 260 million in project financing for development of its joint venture in Katanga province with Gecamines, the DRC's copper/cobalt mining parastatal.

¶5. (U) CAMEC, London AIM-listed mining and trading company, reported it has produced its first copper cathodes at its refinery in Katanga province. CAMEC and Gecamines are joint-venture partners.

¶6. (U) According to Congolese media, Rwandan and Congolese experts met in Gisenyi, Rwanda from March 26 to 28 to discuss exploitation of methane gas in Lake Kivu, which forms part of the border between the two countries. (Note: About two-thirds of the lake is Congolese territory. End note.) The parties said they would try to launch activities in mid-April.

¶7. (U) DRC authorities arrested the DRC's nuclear research center director, Professor Fortunat Lumu, on unsubstantiated charges of trafficking nuclear materials. Lumu was released several days later, and government officials ultimately said the arrest and ongoing investigation arose out of Lumu's alleged unauthorized approval of a deal with a British company, Brinkley Mining (reftel B).

¶8. (U) The Orientale governor has suspended timber exports from the province pending exporters' compliance with the 2002

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Forestry Code, particularly regarding social development obligations to communities in the logging areas.

INFRASTRUCTURE

¶9. (U) Many neighborhoods of the city of Kinshasa experienced a three-day power blackout due to the failure of equipment of SNEL, the DRC's electricity authority. Much of SNEL's equipment, including one of the hydroelectric plants that provides power to Kinshasa, dates from the 1950s.

INVESTMENT AND DEVELOPMENT

¶10. (U) The World Bank Board approved USD 180 million in immediate DRC project funding on March 29 (reftel C).

¶11. (U) The Katanga provincial government will lend the RVA (the DRC's airport authority) funds to rehabilitate the runway at Lubumbashi's international airport. A construction company associated with George Forrest will do the work. The airport will close for at least a few days during the construction.

¶12. (U) The British Government has pledged to give the African Development Bank about USD 98 million to support protection of the Congo Basin forests in ten countries.

¶13. (U) The French Minister of Cooperation and Development signed a partnership agreement with the GDRC under which the French government will provide 235 million Euros in support to the DRC from 2007 to 2011, primarily in the education, health and environmental sectors. This is the first such agreement between the two countries in 17 years.

¶14. (U) The Congolese Chamber of Commerce (FEC) opened a business dispute resolution center in Kinshasa.

¶15. (U) The Kinshasa business community and the GDRC suffered millions of dollars in losses as a result of the March 22-23

fighting and looting (septel).

LABOR

¶16. (U) Employees of MIBA, the DRC's diamond mining parastatal, claim their salaries are more than six months in arrears. MIBA's 2006 diamond production and income declined significantly over 2005 totals.

¶17. (U) Employees of SNCC, the DRC's railway authority, went on strike for several days to demand payment of salary arrears.

FEBRUARY AND MARCH EXCHANGE RATES

¶18. (U) In February, the Congolese Franc (FC) depreciated by five percent on the official market and by five and a half percent on the parallel market. The Congolese Central Bank's official exchange rate was 540 FC per USD on February 1 and 565 per USD on February 28. Nationwide, the FC traded on unofficial markets at an average rate of 545 CF/USD on February 1, and closed the month trading at an average rate of 575 FC/USD. The FC has depreciated more than 10 percent since December 30, 2006.

¶19. (U) The official exchange rate stabilized in March, although the street (parallel market) rate continues to fluctuate more widely.

Week ending	3/9	3/16	3/22	3/31
Central Bank Rates:	564	564	558	555
Parallel Rates				
Kinshasa	575	575	565	565
Lubumbashi	560	565	560	560
Mbuji-Mayi	560	565	560	560
Bukavu/Goma	565	565	560	565
Kisangani	560	560	560	560
Matadi/Boma	570	565	560	565

FEBRUARY AND MARCH CONSUMER INFLATION

¶20. (U) Currency devaluation was a major cause of the 2.2

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percent increase in consumer prices in February, as measured by Post's market-basket survey. The increased cost of USDs impacted housing rental rates (which are charged in USD in Kinshasa) and transport, following a January petroleum price increase.

¶21. (U) Post's market-basket survey indicated a 2.3 percent consumer inflation rate in March, bringing year-to-date inflation to 8 percent. Increases in the price of beverages, firewood, charcoal, and domestic utility service contributed to this jump in March.

MEECE